

March 4, 1976

SENATOR DICKINSON: Would you agree or not that this ... that competition from this kind of money, in some instances, and I might direct this to Senator Cope if either one or both of you would care to answer also, that money at a somewhat lower interest rate can, will, and does even now in some instances compete with a smaller enterprise and an individual enterprise that must go to the bank and borrow money at the going rate, which now is quite high?

SENATOR GOODRICH: Can you give me a specific location or a business? For example let's take Norfolk, Nebraska. Henningson Foods, Inc., Nuclear Corporation of America, General Warehouse Corporation, Nu-Cor, that steel works up there, Nimco, Gilette Dairy, Nor-Cot Mills, Kenning Rail - whatever that is. These are the kind of businesses that have been funded under it already.

Now the reason....

SENATOR DICKINSON: Well could they have been funded from regular financing with non-tax exempt borrowings?

SENATOR GOODRICH: If they could get funding, if they could get a mortgage for example and that's what I was telling you a little bit ago, the mortgage market is so horribly ... you know, there just isn't any money in the mortgage market for real estate construction. That's why real estate construction is down so bad. These companies, in order to get funded, would have to had gone to an insurance company to get a mortgage. The insurance companies are making these mortgages.

SENATOR DICKINSON: In your opinion, is it possible, I think this was commented to probably by Senator Fowler but no one has responded to it, that an excessive amount of IDA bonds could have some affect on the rates being able to be obtained by municipals, schools, and these kinds of bonds that are GO bonds?

SENATOR GOODRICH: Only if there was a large number of IDA bond projects that had failed or something like that. Then, frankly, in those cases the credit of the county is not at stake. In this particular case....

SENATOR DICKINSON: Well I realize that. But don't they ... wouldn't IDA bonds.... Don't they, in fact, drain off a little money supply by paying somewhat higher interest rates than municipals, schools, and these kinds of bonds but still have that tax exempt status, in fact occasionally people, under the pressure of a good bond salesman are a little mislead or confused and think they're buying guaranteed bonds when, in fact, they are not. There have been some disasterous experiences in this area.

SENATOR GOODRICH: Well what you're saying is that the person, ordinarily, that would invest in IDA bonds would not ordinarily invest in the real estate market. Well if he put his money in a bank and the bank invested the money in a mortgage, fine. Then your chronology is correct. But the people that buy IDA bonds are looking